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SUBJECT: GOVERNOR SEEKING TO SIPHON FUNDING AWAY FROM SELF FUNDED
PORT FACILITIES

REF: 1/27/09 E-MAIL WEMHOENER-CUITECJ TO NEVILLEPW

CLASSIFIED BY: DOUGLASSWD, CHARGE DE AFFAIRS, EMBASSY KOLONIA,
DOS.

REASON: 1.4 (b), (d)

¶1. (C) SUMMARY: Pohnpei Port Authority (PPA) General Manager Iehsi complained to Ambassador Hughes on January 23 that Pohnpei Governor Ehsa is seeking to divert needed funds away from the PPA. Iehsi alleges that proposed funding changes will undermine the Port Authority's ability to meet international safety and security standards, but will support Ehsa's political agenda. END SUMMARY.

Proposed Change to Funding Legislation

¶2. (U) On January 13 Pohnpei Governor John Ehsa forwarded to Pohnpei Port Authority (PPA) General Manager Ieske K. Iehsi a letter which contained a proposed amendment to the "Pohnpei Code relating to the financial matters of the Pohnpei Port Authority." The amendment would change one phrase in the existing funding bill. Currently the PPA deposits all revenue into an account it uses for its own operations. The new language would limit annual deposits to \$500,000 with all funds in excess of that limit going to the Pohnpei general fund. Iehsi added that the Port Authority annual income is approximately \$2.5 million.

Current Port Funds

¶3. (SBU) During a January 23 meeting with Ambassador Hughes, Iehsi stated that under his leadership the PPA is entirely self funded. He then stressed that the PPA needs the funds it earns to meet international seaport and airport standards. After a recent inspection of the port facilities, Pohnpei failed to meet minimum standards in a limited number of categories. Although not discussing specifics, Iehsi stated the PPA was able to immediately invest in repairs and was able to bring the port back up to international standards because it had access to its own funds. Iehsi contends that to meet the safety standards in the sea port alone costs approximately \$1 million annually.

¶4. (SBU) Iehsi further explained that a seven member board appointed him to his current position during the previous Governor's tenure. After taking office, he claims, one of his first tasks was improving financial practices within the Port Authority. During the process he fired one person for fraud. He also discovered outstanding debts owed to the Port Authority. For example, shipping agent Timakio Ehsa, brother of the governor, owes the Port Authority in excess of \$1 million.

Funding Dispute

¶5. (C) Iehsi informed the Ambassador that he was fairly confident the new funding bill would pass. Iehsi claimed that Governor Ehsa would likely find support within Pohnpei's State Legislature because moving revenue in excess of \$500,000 from Port Authority control to Pohnpei's general fund would give the legislators approximately \$2 million in discretionary funds. As

of February 9, the bill had not left committee and public hearings on the proposed bill are expected. The State Legislature has not yet set a timeline to review the bill. Meanwhile, Iehsi continues to lobby legislators to refuse the bill.

¶6. (C) Iehsi contends that the primary factor influencing the Governor's decision to submit the bill is his attempt to support Timakio. The PPA, under Iehsi's leadership, sued Timakio in civil court twice seeking payment of the million dollar debt. PPA won both cases, but Timakio has not yet paid any of the debt. PPA is currently considering means to pursue Timakio within the criminal courts. Iehsi alleges that the Governor has taken a number of steps to try to prevent the possible arrest of Timakio. (Note: According the Iehsi, the Governor inserted himself in a private land dispute issue in August 2008 in an attempt to end an agreement between the State and National Governments permitting the national government to use Pohnpei's jail to house criminals convicted in the federal courts. The National Government does not have its own jail. The dispute was later settled and the prison agreement continues. End Note.) To exert additional political pressure, the Governor has replaced members of the seven member board tasked with appointing the PPA General Manager with political allies.

Comment

¶7. (C) In the short-term, the apparent ongoing personal dispute between Iehsi and the Governor should not affect port operations. If the state government passes the proposed legislation, however, it is not clear how the PPA will fund its basic operating costs, including mandatory safety and security measures. Until the case against Timakio Ehsa is settled and either John Ehsa or Iehsi leave their current positions, Post expects political tensions between the management of PPA and the Governor's Office to continue. End Comment.

HUGHES